

# CELESTE

Funds Management

## Celeste Australian Small Companies Fund

Monthly update 30 April 2012

### Fund Performance

The Fund was up 0.4% in April, with its benchmark, the ASX Small Ordinaries Accumulation Index down 0.9%.

Global equity markets were down across the board, the NASDAQ was down 1.5%, the S&P 500 down 0.8%, the Nikkei down 5.6%, the DAX down 2.7%, while the FTSE also lost ground, down 0.5%.

In the past year the Fund is up 1.5%, net of all fees, compared to a 7.0% decline for the S&P/ASX Small Ordinaries Accumulation Index.

Since inception in May 1998 the Fund's return is 17.4% pa, against the Index's 6.4% pa.

### Portfolio Commentary

Health Insurer **NIB** rose 10.4% over the month as the market continued to warm to its FY 2012 interim result. NIB has the opportunity to significantly expand its market share in Victoria and WA whilst it continues to grow membership at double the industry rate in the 18-39 year old segment. Growth opportunities for NIB in student and international worker health insurance also have the potential to materially lift earnings over the medium term.

**Imdex** declined 17.1% over the month as it reported slightly softer 3<sup>rd</sup> Quarter earnings versus market expectations. The weakness seemed to be transitory in nature caused by wet weather in Australia, political unrest in PNG & Mali as well as some seasonal changeover issues in Canada. We believe Imdex is an attractive medium term investment with the company well placed to take advantage of burgeoning exploration expenditure in the global minerals sector.

Specialist Geosciences consultancy **Coffey International** was down 31.8% after the company downgraded EBITDA expectations for the FY 2012. The lower earnings have occurred as contract revenues expected in FY 2012 have been deferred until FY 2013. We are comfortable with the Coffey International operational turnaround, its balance sheet, its Geosciences sector exposure, and valuation.

### Portfolio Top 5 Holdings

Stock	% of Fund
1 TRANSPACIFIC INDUSTRIES GROUP	5.0
2 SKILLED GROUP	4.9
3 BREVILLE GROUP	4.9
4 NUFARM	4.0
5 AUSTBROKERS HOLDINGS	3.9

### Monthly Commentary

In Australia economic news during April provided further evidence of a slowing economy, with inflation subdued, the unemployment rate little changed and little credit growth evident. Given the domestic economic backdrop the potential for further Reserve Bank interest rate adjustment appears high, particularly when one takes into account nominal and real interest rate levels in Australia.

Economic data points on the Chinese economy over April indicate that the current pace of growth is at a more sustainable level than has been the case in recent history. In addition it appears that the initiatives of the People's Bank of China during recent months have led to inflation moderating and domestic demand rising.

The global economic picture took on a more sombre tone in April with growth expectations lowered and both the UK and Spain slipping back into recession. The European economic picture remains challenging, as graphically illustrated in April by increasing yields across the euro bond landscape. In Europe it appears that economic austerity is increasingly leading to social unrest, political instability and electoral change. We are sensitised to the economic austerity contagion in a broader European context and think it will have a major bearing over risk assets during calendar 2012.

In the next few weeks domestic investors will need deal with the outworking of corporate continuous disclosure obligations, referred to by some as the 'confessional season'. At this stage we assess the balance of probability will lead to some shaving of FY 2012 earnings expectations, with some domino effect on FY 2013 and FY 2014. With valuations at current levels we suspect a degree of earnings decay is already factored into current small cap sector pricing. We remain consistent in the application of our investment process and we will look to be opportunistic should attractive investment present themselves in the short, medium and longer term.

### Performance Statistics (Net of fees)

	Celeste Australian Small Co. Fund	ASX Small Ord Acc Index	Performance	ASX Small Ind Acc Index	ASX Small Res Acc Index
1 month %	+0.4	-0.9	+1.3	-0.1	-2.4
3 month %	+12.7	+5.7	+7.0	+12.7	-4.6
1 year %	+1.5	-7.0	+8.5	+2.5	-19.7
3 years % pa	+20.6	+12.7	+7.9	+13.3	+12.0
5 years % pa	+2.5	-5.0	+7.5	-6.7	+0.2
10 years % pa	+13.0	+7.8	+5.2	+5.5	+15.5

Past performance is not necessarily indicative of future returns.

## Fund at a Glance

### Fund Information

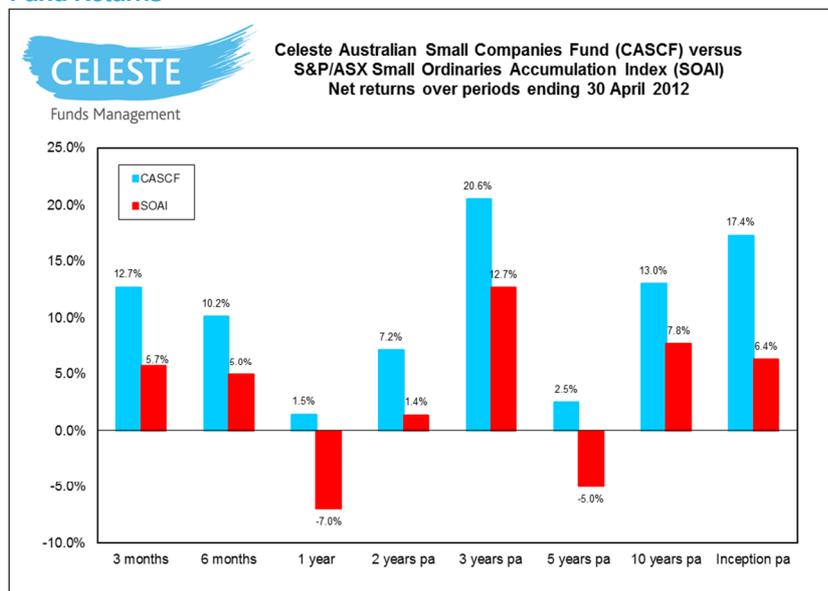
<b>Primary Investments</b>	Shares in listed Australian smaller companies
<b>Investment objective</b>	Small Ordinaries Acc Index + 5% p.a. over rolling 3 years
<b>Unit price (redemption) as at 30.04.2012</b>	\$3.1200
<b>Unit price (application) as at 30.04.2012</b>	\$3.1451
<b>Fund Size as at 30.04.2012</b>	\$137m
<b>Minimum investment</b>	\$25,000
<b>Minimum additional investment</b>	\$1,000
<b>Minimum balance</b>	\$15,000
<b>Minimum investment: monthly investment plan</b>	\$500
<b>Redemption will generally be available in</b>	7 days
<b>Distributions</b>	30 June and 31 December
<b>Entry fee*</b>	0%
<b>Exit fee*</b>	0%
<b>Buy/Sell differential*</b>	0.40%
<b>Management fee*</b>	0.95%
<b>Performance fee**</b>	20% of return above benchmark
<b>OGFM***</b>	0.95% p.a.

\* These fees and charges apply for the duration of the Product Disclosure Statement (PDS) and are inclusive of the Goods and Services Tax.

\*\* A fee charged on performance of the investments of the Fund above the nominated benchmark performance. The benchmark is the S&P/ASX Small Ordinaries Accumulation Index.

\*\*\* The Ongoing Fee Measure (OGFM) is the total amount of the ongoing Manager and Custodian Fees and aggregate Fund expenses in a Financial Year (but excluding the performance fee), divided by the average Net Asset Value of the Fund for the Financial Year expressed as a percentage. Transactional costs, such as bank charges, brokerage and stamp duties are not included in the ratio. The OGFM for the Fund will not exceed 0.95% p.a. for the duration of the PDS.

### Fund Returns



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### Distribution History

Total distribution year ended	Cents Per Unit	Annual Yield %*
June 99	3.07	2.9
June 00	17.37	11.3
June 01	13.88	7.8
June 02	27.17	14.2
June 03	7.01	3.9
June 04	21.71	11.2
June 05	49.48	19.5
June 06	18.88	7.3
June 07	34.32	12.3
June 08	38.82	9.9
June 09	10.06	4.2
June 10	18.70	8.9
June 11	11.89	4.6

\*CPU/unit price at beginning of period.

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